

Corporate Governance and Role of CAs

Effective governance and sustainability are increasingly important considerations for governments, organisations, business leaders, investors, consumers, and many other stakeholders throughout the world. The accountancy profession supports the move to a model of sustainable economies and corporate responsibility, where organisations pursue a more sustainable path and are better governed.

The issue of Corporate Governance has attained increased importance in the wake of the global financial crisis and recent corporate scams. Corporate scandals in the 1980s, 1990s, and earlier this decade have focused investors, the public, businesses, auditors, governments and regulators on the need for better corporate governance.

There has rightly been a longstanding view that sound corporate governance is beneficial for financial markets. Thus, sound corporate governance can contribute to financial market integrity and economic efficiency.

In a nutshell, as substantiated by OECD, corporate governance (CG) – is “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders such as employees and creditors. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring related performance. Good corporate governance should provide proper incentives for the board and management to (avoid conflicts of interest and) pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring.”

“The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy.”

Role of CAs

ICAI Members in Industry work within organisations—in commerce, industry, financial services, education, and the public and not-for-profit sectors—as leaders and strategic partners in building long-term sustainable organisational success. They play a variety of important roles, including as creators, enablers, preservers, and reporters of sustainable value for their organisations. These CAs play critical roles in generating sustainable economic growth and stability worldwide by contributing to strategy support, planning, decision support and control, adding value to organisations and to the information they issue.

Within these roles, professional accountants are increasingly expected to perform as integrators, bringing together environmental, social, and economic performance and various business functions and processes; and as navigators, supporting the needs of governing bodies and management. Their work provides the foundation for credible and reliable financial and non-financial information, which is vital to building investor confidence.

ICAI strives to promote and contribute to the value of professional accountants in corporates by increasing awareness of the important roles professional accountants play, supporting member bodies in enhancing the competence of their members, and facilitating the communication and sharing of good practices and ideas.

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has published *Investor Demand for Environmental, Social, and Governance Disclosures: Implications for Professional Accountants in Business*. The report considers trends in investor demand for and use of environmental, social, and governance (ESG) information, and recommends how professional accountants can better support their organisations in responding to these demands, and ultimately improve the management and reporting of ESG performance.

The report highlights an evolving trend towards greater interest in ESG factors, and integration of these factors and ESG performance information into investment processes and decisions.

To alert professional accountants to essential ESG metrics and indicators sought by investors, the report provides a sector-neutral list of core performance indicators most frequently used by investors to evaluate ESG performance, and a review of how investors might consider the financial implications and monetisation of these factors.

As professional accountants both support and fill leadership roles in management operations and control, as well as stakeholder communications, they are well placed to apply accounting discipline and rigour to the collection, analysis, and reporting of ESG data, and to support the incorporation of ESG factors into their organisation’s management processes, systems, and reporting. Their involvement in improving the relevance and quality of their organisation’s internal and external business reporting will be critical to meet the challenge of increasing the use of ESG information.”

-Editorial Board

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